# Committee on Ways and Means

## H.R. 2896, the "American Jobs Creation Act of 2003"

*Improvements to the Tax Code*

The American Jobs Creation Act's domestic and international provisions will overturn incredibly preposterous provisions in our tax laws that have hamstrung job creation by American business. Here are a few examples:

- AMT reforms: since 1986, the corporate alternative minimum tax can force a company losing money to pay taxes. The Act allows 100% of net operating losses (not today's 90%) to reduce the AMT.

- The Act eliminates self-imposed sales barriers in Europe. Rules developed during the Kennedy Administration impose higher taxes on US exports sold in Europe under the base company sales rules if an American company's distributor is located in a high-tax country. The Act eliminates the problem, making American goods more competitive in Europe.

- The Act gives American companies a full interest deduction. Since 1986, American companies borrowing in the United States to support domestic operations have effectively lost part of their interest deduction if they have assets overseas, even if these assets supported American jobs and exports. The 1986 tax law automatically treats interest paid here as allocable to a company's foreign business. The Act does not require this allocation when the foreign business supports its operations with its own debt.

- The Act eliminates triple tax on farmers. IRS regulations cause farmer co-op income to be taxed up to three times today—once to the co-op, once to the non-patron receiving the income and a final time by reducing the amount the co-op can pass through tax-free to its farmer owners. The Act ends the triple tax.

- The Act reduces the number of foreign tax credit baskets from 9 to 2 (active and passive). The baskets were increased to 9 in 1986 solely to raise revenue.